

Message Text

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PAGE 01 BRASIL 00380 171042Z
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SUBJ: ASSESSMENT OF EFFECTIVENESS OF ECONOMIC AID; BRAZIL
INTRODUCTION

REFS: A) BRASILIA 0022, B) STATE 306064

1. THIS IS THE FIRST IN A SERIES OF MESSAGES TRANSMITTING ANSWERS TO QUESTIONS RAISED IN REF B ON THE ECONOMIC ASSISTANCE PROGRAM TO BRAZIL. AS WE EXPLAINED IN REF A, THE SHORT LEAD TIME FOR RESPONSE, SHORTAGE OF STAFF AND THE FACT THAT MOST INACTIVE FILES HAVE BEEN RETIRED HAVE MADE PREPARATION OF RESPONSE DIFFICULT AND LESS THAN COMPLETE ON SOME POINTS. FOR EXAMPLE, THIS PRESENTATION IS WEAK ON BILATERAL PROJECTS DURING THE EARLY YEARS OF THE ALLIANCE FOR PROGRESS AND WE DID NOT HAVE RESOURCES TO RESEARCH OTHER DONOR PROGRAMS FOR EXAMPLES OF EFFECTIVE OR INEFFECTIVE PROJECTS. NONETHELESS, THERE IS A REASONABLE SPREAD AMONG SECTORS AND KINDS OF ACTIVITIES.

2. IN USING THE MATERIAL TO FOLLOW, IT SHOULD BE BORNE IN MIND THAT A WIDE VARIETY OF PRIORITIES HAVE BEEN URGED, AND SOME CASES IMPOSED, UPON US BILATERAL ECONOMIC ASSISTANCE OVER THE YEARS. SIXTY SUCH CITATIONS HAVE APPEARED IN THE FOREIGN ASSISTANCE ACT
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PAGE 02 BRASIL 00380 171042Z

(EXAMPLES: INSTITUTION BUILDING, DEVELOPMENT OF LONG RANGE PLANS, IMPROVED AGRICULTURAL STORAGE, COOPERATIVES, TRAINED MANPOWER, CONSTRUCTION OF EDUCATION INSTITUTIONS, SEWAGE DISPOSAL, INDUSTRIAL DEVELOPMENT, FREE LABOR UNIONS, TRANSPORTATION SYSTEMS, COMMUNICATION SYSTEMS, ECONOMIC PLANNING, PRIVATE INVESTMENT, WATER CONSERVATION AND FISH PROTEIN CONCENTRATE), NOT

TO MENTION OCCASIONAL EXECUTIVE BRANCH SUGGESTIONS, SUCH AS CAPITAL MARKETS, TOURISM AND EXPORT PROMOTION. US ASSISTANCE TO BRAZIL HAS TOUCHED ALMOST ALL OF THESE PRIORITIES AT ONE TIME OR ANOTHER. ALTHOUGH THE GROWTH WITH EQUITY THEME IS WOVEN THROUGHOUT THE FOREIGN ASSISTANCE LEGISLATION, THE SPECIFIC LEGISLATIVE PRIORITIES DID NOT ALWAYS TAKE BOTH INTO CONSIDERATION. THEN TOO, LARGER POLITICAL AND ECONOMIC CONCERNS ABOUT BRAZIL INFLUENCED THE BILATERAL ASSISTANCE PROGRAM. FROM 1962 THROUGH 1964, THE WORLD BANK THOUGHT BRAZIL UNCREDITWORTHY AND ALTHOUGH IT RESUMED LOAN APPROVALS IN 1965, THERE WAS A NET OUT-FLOW OF FUNDS TO THE WORLD BANK DURING THE FOUR YEARS 1964-67. IDB LENDING INCREASED GRADUALLY DURING THE LATE 1960'S AND BRAZIL MADE DRAWINGS FROM THE IMF UNDER STABILIZATION STAND-BY ARRANGEMENTS. HOWEVER, AID WAS THE MAIN SOURCE OF RAPIDLY DISBURSING DEVELOPMENT ASSISTANCE THAT WAS NEEDED TO REVITALIZE THE ECONOMY. EVEN THE LARGE-SCALE BILATERAL MACRO-ECONOMIC ASSISTANCE OF THESE YEARS DID NOT IGNORE EQUITY CONSIDERATIONS AS EMPLOYMENT GENERATION WAS ONE OF THE INTENDED BENEFITS. IT WAS DURING THAT TIME ALSO, THAT THE EDUCATION EXPANSION AND REFORM PROJECTS, AS WELL AS LAND REFORM, NUTRITION, COOPERATIVE, WATER AND HEALTH PROJECTS WERE BEING PLANNED OR IMPLEMENTED.

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PAGE 03 BRASIL 00380 171042Z

3. AS EXAMPLES OF EFFECTIVE AND INEFFECTIVE PROJECTS, WE INTEND TO SUBMIT INFORMATION, WITHIN LIMITATIONS MENTIONED BEFORE, ON THE FOLLOWING:

A. EFFECTIVE PROJECTS:

EDUCATION SECTOR LOANS - LOANS 512-L-078/081
SCHOOL LUNCH PROGRAM - FOOD FOR PEACE
MALARIA ERADICATION - LOANS 512-L-021/072
NE SMALL AND MEDIUM INDUSTRY - LOAN 512-L-087
WATER AND SANITATION LOANS - LOANS 512-L-074/080
PARTICIPANT TRAINING - GRANT PROJECT 512-13-660-263.7

B. INEFFECTIVE PROJECTS:

MOGIANA AGRICULTURAL DIVERSIFICATION - LOAN 512-G-071
RURAL REHABILITATION AND REFORM - GRANT 512-11-130-249.4
CAPITAL MARKETS - 512-L-086

4. IN SELECTING THE FOREGOING PROJECTS, WE TRIED TO KEEP IN MIND THE CRITERIA MENTIONED IN REF B AS WELL AS TO ATTEMPT TO SHOW THE DIVERSITY OF US BILATERAL ASSISTANCE TO BRAZIL. THE DEPARTMENT SHOULD BE

AWARE, HOWEVER, THAT THE EDUCATION SECTOR LOANS WERE
THE SUBJECT OF A CRITICAL GAO REPORT (B-133283 OF
7/30/73); WE BELIEVE THE GAO MISSED THE POINT IN
ITS STUDY OF THE LOANS AND THE PROJECTS ARE INDEED
WORTHY OF BEING CALLED SUCCESSFUL. ALSO, WE CONSIDERED
LISTING COPERBO WITHIN THE INEFFECTIVE GROUP BUT HAD
LITTLE DETAIL ON THE PROJECT (LOANS 512-L-007 AND
512-G-045); THE REASON FOR CONSIDERING IT FOR
INCLUSION IS THAT SOME OLD HANDS RECALL THAT LINCOLN
GORDON, THEN AMBASSADOR TO BRAZIL, LABELLED IT
INEFFECTIVE IN TESTIMONY BEFORE CONGRESS.
JOHNSON

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